

MINUTES
MICHIGAN STATE TRANSPORTATION COMMISSION MEETING
August 26, 2004
Lansing, Michigan

Meeting noticed in accordance with Open Meetings Act, Public Act 267 of 1976.

Present: Ted Wahby, Chairman
 Betty Jean Awrey, Vice Chairwoman
 John Garside, Commissioner
 Robert Bender, Commissioner
 Linda Miller Atkinson, Commissioner
 Vincent J. Brennan, Commissioner

Also Present: Gloria J. Jeff, Director
 Larry Tibbits, Chief Operations Officer
 John Polasek, Bureau Director, Highway Development
 Leon Hank, Chief Administrative Officer
 Frank E. Kelley, Commission Advisor
 Marneta Griffin, Executive Assistant
 Jerry Jones, Commission Auditor
 Patrick Isom, Assistant Attorney General
 John Friend, Bureau Director, Highway Delivery
 Myron Frierson, Bureau Director, Finance and Administration
 Ron DeCook, Director, Office of Governmental Affairs
 Rob Abent, Bureau Director, Multi-Modal Transportation

A list of those people who attended the meeting is attached to the official minutes.

Chairman Wahby called the meeting to order at 9:10 a.m. in the Bureau of Aeronautics Auditorium in Lansing, Michigan.

I. COMMISSION BUSINESS

Commission Minutes

Chairman entertained a motion for approval of the minutes of the State Transportation Commission meeting of July 29, 2004.

Moved by Commissioner Awrey and supported by Commissioner Garside to approve the minutes of the Commission meeting of July 29, 2004. MOTION CARRIED.

II. DIRECTOR'S REPORT – DIRECTOR GLORIA J. JEFF

Director Jeff gave a PowerPoint presentation pertaining to the following topics:

Border Activities

MDOT and MTO (Ministry of Transport in Ontario) have held regular meetings to discuss the possibility of a Border Summit in 2005. They have developed a list of short, medium and long-term initiatives at border crossings and are working on developing a

report card to monitor their progress. Other plans include implementing a joint ITS strategy, developing a joint communications strategy; research concept and form of a joint border commission.

The Ontario-Michigan Border Working Group has created a joint work team for the Border Summit. They have begun discussions to expand and coordinate the FAST program to other crossings. FAST is a pre-inspection program for trucks, whereby they are able to cross the international borders in a much more timely and efficient manner. This Working Group is also continuing to work on developing a joint border information strategy.

Other MDOT activities involve expanding the border stakeholders list as a follow-up to the Governors' Manufacturing Summit where the border was one of the critical issues the group felt they needed to be involved. The ITS/Traffic Management Planning Process is underway, and MDOT will begin meeting with federal officials in early September to discuss the Blue Water Bridge plaza study coordination pilot project. This will also involve representatives from Customs and INS. Additionally, MDOT is in the process of initiating activities associated with the environmental clearance process for a new Detroit border crossing.

Director asked for questions; none were forthcoming.

Key Transportation Commission Dates for Preservation Goal and Transportation Program

In terms of the Preservation Goal of 2007, the department is charged by the Commission to have 90% of Michigan's roads in good shape and 90% of the bridges by 2008. Director Jeff stated that an issue arose earlier this year as to whether or not the methodology that had been employed at the time of establishing the 2007 goal was still valid. The model was not Commission concurred after the presentation. It has been modified, however the data was not available in a modified format at that time. The information has been updated and will be run through the new model to determine whether or not the department is on track and will be able to achieve the goal by 2007. This will also provide information on the forecast of the bridge conditions.

The following dates, meetings, and activities are planned:

September 30, 2004; regular Commission Meeting; present the FY 2004 Program Delivery Accomplishments and FY 2005 Transportation Program Announcement.

October 28, 2004; Commission Workshop; present new pavement condition forecast with updated RSL data; recommend any necessary road program adjustments to achieve 2007 goal; present current bridge condition forecast; recommend necessary adjustments to achieve freeway bridge goal.

December 2004; Special Commission Meeting; present **DRAFT** FY 2005-2009 Five Year Transportation Program for review.

January 27, 2005; regular Commission Meeting; present **FINAL** FY 2005-2009 Five Year Transportation Program for approval.

Director Jeff asked for questions.

Chairman Wahby asked that during the October workshop the context of the word “preservation” be explained so that others will know if reference is being made to a 2-inch asphalt cap on an existing road, a permanent fix, etc.

Director Jeff answered that in addition to updating the Commission on where the department is with respect to the condition of the roads is to go through the definitions associated with preservation and the approaches they are using with regard to the mix of fixes.

No other questions were forthcoming.

Reauthorization

Federal programs are now operating under a fourth short-term extension of TEA-21. It expires on September 24, 2004 with nearly \$2 billion held back for earmarking in September. No additional money for donor states. Director Jeff again encouraged members of the Commission and the audience to write the Michigan delegation representatives on the Conference Committee.

There are two sets up proposals currently on the table. The Senate proposal calls for about \$289 billion over six years, guaranteed for highways and transit. It guarantees that by the end of the six year period a 94% minimum equity component, includes all current programs in the formula distribution, and could bring anywhere from \$230 million to \$270 million more for highways per year. The House proposal calls for \$284 billion over six years, guaranteed for highways and transit. There is no language in this proposal that guarantees us the 94% equity or anything close to it. It is not clear what programs would be included in the scope, and there are too many variables to predict future funding.

Another extension is highly likely. The Washington office indicates that they next extension may only be for six months, which means that we will be in 2005 still trying to wrestle with an issue that Congress was supposed to complete on October 1, 2003.

MDOT continues to partner with other transportation interests and states in aggressively moving forward to get Congress to act in a more timely fashion. They are continuing to encourage everyone to send letters to Michigan’s Congressional delegation and President Bush to talk about what it is that, not only Michigan needs, but this nation needs with respect to transportation. Further, Director Jeff stated that MDOT is continuing to participate in efforts of the SHARE Coalition (a set of donor states, like Michigan, that continue to try and work to influence their members of Congress). Members of the Governors’ D.C. staff are meeting with Congressional staff to see if they can move through an agenda. The failure to move forward is costing Michigan over 1000 jobs on an annual basis; jobs that are badly needed in today’s economy in the state of Michigan. MDOT continues to find themselves having to borrow against the future in order to

deliver the program that they have promised for this year.

Director Jeff asked for questions.

Chairman Wahby asked if the department is bonding its way out of this situation in terms of the budget—when they establish the budget, if they are six months away from the reauthorization going through, do they base the budget on what they have now?

Director Jeff stated that MDOT continues to be optimistic in their budget proposal. The Governor's budget that was submitted assumed a 3.2% increase.

Commissioner Brennan asked if the advanced funding to maintain the projects projected for this fiscal year is strictly bonding that is being done.

Director Jeff answered no. She went on to explain that they borrow against what they anticipate future federal funding to be. This is a reimbursement program so what they are doing is taking the state revenues on the reasonable hope that they will have a federal program. There has been no break in the program since it was established in 1950, however Congress has been late—this is latest they have ever been.

Commissioner Brennan asked what the sources of the funds are.

Director Jeff asked Susan Mortel to explain the construct of advanced funding.

Ms. Mortel explained that there is a mechanism that is authorized in the bill called "Construction in Advance of Apportionment", which allows the department to deliver a program of a particular size. In this instance of 2004, the program was set up with a very conservative estimate of what they expected to receive in federal aid. It turns out that it was a little bit high because reauthorization hadn't delivered the money. Ms. Mortel went on to explain that rather than to pull back on the 2004 program, MDOT decided to deliver the 2004 program and advance construct the increment of program that is beyond the amount of federal aid we received in 2004 (about \$20 million). That then becomes a chip that needs to be cashed in at a later date (using future federal aid to reimbursement ourselves for that \$20 million). Ms. Mortel went on to say that the 2005 program, which they will bring before the Commission in September, also had to make an assumption (same assumption was held) that there is an additional \$20 million on top of the \$20 million they had in 2004. By the end of 2005, they would be \$60 million in the hole against charges against future federal aid. This is not bonding.

Commissioner Brennan asked how we are to fill the hole.

Director Jeff answered that because it is a reimbursement program, MDOT will expend their dollars, bill it to the federal government and get reimbursed. At some point in the future, if Congress doesn't move within that six month time frame after the start of fiscal year 2005, they will probably have to come back and reduce the size of the program.

Commissioner Garside asked how much of this does the Director attribute to this being an election year.

Director Jeff answered, candidly, probably 85%. Separate from the election there are some tough decisions to be made about where limited federal funds can be invested. While transportation has a dedicated funding source, it still represents a draw on the Treasury.

Chairman Wahby asked if anyone had questions for Director Jeff; none were forthcoming.

III. **OVERSIGHT**

Commission/State Administrative Board Contracts/Agreements (Exhibit A) – Myron Frierson

Mr. Frierson reported that there is one change—removal of Item 56 (Multi-Modal-Rail Passenger Service, Contract 2004-0474)—and asked to defer it for Commission approval at a later date.

Mr. Frierson asked for questions on the remaining items; none were forthcoming.

Mr. Frierson asked for approval of Exhibit A.

Chairman Wahby entertained a motion. Motion was made by Commissioner Garside, supported by Commissioner Bender to approve Exhibit A. Motion carried on a unanimous voice vote.

Bid Letting Pre-Approvals (Exhibit A-1) – Myron Frierson

Mr. Frierson gave a brief re-cap of the August bid letting activities. There were 36 state jobs and in terms of the overall program they are on track. About 90% of program has been let as projected. For the overall year the department should be very close to what they let for state projects in 2003 (approximately \$760 million). Mr. Frierson further reported that electronic bidding continues to be very successful.

Mr. Frierson asked for questions; none were forthcoming.

Mr. Frierson asked the Commission for approval of the bid items for the September 10th letting in Exhibit A-1.

Chairman Wahby entertained a motion. Motion was made by Commissioner Bender, supported by Commissioner Awrey to approve the September 10th bid letting. Motion carried on a unanimous voice vote.

Supplemental to Bid Letting Pre-Approvals (Exhibit A-1) - Myron Frierson

Mr. Frierson asked for questions; none were forthcoming.

Mr. Frierson asked the Commission for approval of the bid items for the supplemental lettings in Exhibit A-1.

Chairman Wahby entertained a motion. Motion was made by Commissioner Brennan, supported by Commissioner Awrey to approve the supplemental bid letting. Motion carried on a unanimous voice vote.

Letting Exceptions Agenda/Supplemental to Letting Exceptions (Exhibit A-2) – John Polasek

Mr. Polasek reported on eight items; four state projects, four local projects. State project #3 (Project M 75051-78791) is a single bidder.

Mr. Polasek asked for questions; none were forthcoming.

Mr. Polasek asked the Commission for approval of the letting exceptions and supplemental letting exceptions in Exhibit A-2.

Chairman Wahby entertained a motion. Motion was made by Commissioner Brennan, supported by Commissioner Garside to approve all letting exceptions and supplemental in Exhibit A-2. Motion carried on a unanimous voice vote.

Information Items (Exhibit A-3) – Myron Frierson

Mr. Frierson reported that these exhibit items are for information only.

Chairman Wahby asked for questions; none were forthcoming.

Contract Adjustments (Exhibit B) – John Friend

Mr. Friend reported that the three items before the Commission are all in the Metro Region. He noted that Item 2004-60 (Dequindre Avenue) has come before the Commission on a previous occasion. Mr. Friend further stated that this will be the final time of asking for approval on this project.

Mr. Friend asked for questions.

Commissioner Brennan asked for elaboration on why this project is still ongoing.

Mr. Friend stated that the inspection done on this bridge called for a capitol preventative maintenance fix. However, the high water pressure machine used for this fix blew through the deck causing holes, therefore requiring a full deck replacement. Once you have to do this the cost increases a great deal.

Mr. Friend asked the Commission for approval of Exhibit B.

Chairman Wahby entertained a motion for the approval of Exhibit B. Motion was made by Commissioner Brennan and supported by Commissioner Bender to approve Exhibit B. The motion carried on a unanimous voice vote.

IV. **RESOLUTIONS**

Resolution Authorizing Notice of Revision of a Project List - Myron Frierson

This resolution is the final step to add seven projects to the BM2 (Build Michigan 2) project list as eligible to use the GARVEE Note Proceeds of which MDOT sold \$600 million of these notes. The Commission approved a resolution of intent to add these projects to the BM2 project list; this resolution finalizes the changes to the project list. As indicated last month, these are not new projects. These projects are in the five year plan, but not eligible to use BM2 Note Proceeds. Mr. Frierson asked for approval of this resolution.

Mr. Frierson asked for questions.

Chairman Wahby entertained a motion to approve the resolution Authorizing Notice of Revision of a Project List. Motion was made by Commissioner Bender, supported by Commissioner Atkinson to approve the resolution. Mr. Kelley called the roll; all answers were affirmative. Motion carried on a unanimous roll call vote.

Mr. Frierson gave a brief update on the bonding issue. He stated that \$185 million in bonds were sold during the previous week. The bond deal was structured so that the department garnered a premium, making the net proceeds about \$200 million. Effective interest rate on the bonds is about 3.96 percent including all costs of issuance. The term range is from 1 to 15 years. Mr. Frierson further stated that this debt planning is part of the long-term strategy for the Five Year Plan.

Mr. Frierson asked if there were any questions; none were forthcoming.

V. **PUBLIC COMMENTS**

Chairman Wahby asked if anyone wanted to address the Commission.

Ms. Marge Byington with the Detroit River Tunnel Partnership (DRTP) gave brief comment regarding the border crossings. She stated that transportation is imperative for the state of Michigan as well as Ontario, and transportation and economic development are intertwined. Ms. Byington indicated that she represents a project that is a border crossing opportunity. DRTP currently operates a twin-two rail tunnel between Detroit and Windsor, proposes that this rail tunnel be converted to truck, and bore a new high-tech rail tunnel to service Detroit and Windsor. This project can be done in less than four years, fully paid for by the partnership of Canadian-Pacific Rail and the Ontario Municipal Employees Retirement System. Ms. Byington asked the Commission to consider, in their deliberations, providing significantly increased border capacity between Michigan and Ontario. This increase will also provide connectivity between all modes of travel—rail, road, air and water, with reliable facilities. Ms. Byington further stated that this will enhance the competitive options that they provide people who do business in Michigan, as well as the security options.

Ms. Byington invited the Commission to take a high-rail tour of the project on September 13, 2004. Anyone interested should contact her at 313-719-6422.

Chairman Wahby suggested that anyone interested contact Frank Kelley in the Commission office to coordinate this.

Chairman Wahby asked if any member of the Commission had comments; none were forthcoming.

Chairman Wahby announced that the American Association of State Highway Transportation is holding a seminar in Philadelphia from September 16-21, 2004. A one day session focusing on Boards and Commissions will be held on Saturday, September 18th. Director Jeff and Chairman Wahby recommend that he and one other member of the Commission attend. Anyone interested should contact Chairman Wahby.

ADJOURNMENT

There being no further business to come before the Commission, the Chairman declared the meeting adjourned at 9:50 a.m.

Chairman Wahby also reminded everyone that the Commission would take a fifteen minute break then go into a Commission Workshop.

The next full meeting of the Michigan State Transportation Commission will be held in Lansing, Michigan, on September 30, 2004, commencing at the hour of 9:00 a.m.

Frank E. Kelley
Commission Advisor